Statement of Jeffrey W. Runge

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before the

Committee on Commerce, Science, and Transportation

United States Senate

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Mr. Chairman and Members of the Committee:

On behalf of the U. S. Department of Transportation and Secretary Mineta, I welcome the opportunity to contribute to the Committees consideration of automobile fuel economy. This is a matter of great importance to the economy, our national energy security, and passenger safety.

The Department administers the corporate average fuel economy (CAFE) program as its principal contribution to energy conservation in the light-duty vehicle fleet. Enacted in 1975 in response to the energy crisis caused by the 1973-1974 oil embargo, the CAFE program requires motor vehicle manufacturers to ensure that their new-vehicle fleets meet a specified average level of fuel economy in each model year. The CAFE standard for passenger cars is set by statute at 27.5 miles per gallon (mpg), whereas the CAFE standard for light trucks is set by the Department by regulation for each model year. The light-truck CAFE standard has been frozen at the model year 1996 level of 20.7 mpg (through model year 2003) by provisions in the Departments annual appropriations acts.

The early years of the CAFE program were marked by significant improvements in fuel economy, as the public demand for energy-efficient vehicles during the late 1970's and early 1980's was strong. This was in part caused by the downsizing of vehicles, as well as by improvements in vehicle technology. Since the mid-1980's, however, gasoline prices have typically been stable or declining (in constant dollars) and consumer demand has tended to favor vehicle utility, safety, and performance over fuel economy, with the result that the fuel economy level for the passenger car fleet has leveled off. Lower gasoline prices and consumer preferences have attracted buyers away from passenger cars into less fuel-efficient vehicles such as minivans and sport utility vehicles. These vehicles filled the public□s desire for vehicles that can accommodate family and sporting activities, such as carrying numbers of children, and play and sports equipment. The result is that the average fuel economy for the new light duty vehicle fleet as a whole (the fleet of vehicles with a gross vehicle weight rating of 8,500 pounds or less) has declined from an

all time high of 26.2 mpg in model year 1987 to 24.5 mpg in model year 2001. Under actual driving conditions, as shown by the Environmental Protection Agency□s annual Fuel Economy Trends report, the new-car fleet fuel economy was 22.1 in model year 1987 and 20.4 in model year 2001.

This decline means that today's fleet is using more petroleum, an increasing percentage of which is imported, than it would if fuel efficiency had continued to improve beyond the early years of the CAFE program.

The Department welcomes lifting the restrictions on CAFE rulemaking Congress has imposed since FY 1996, to permit the Department to once again engage in rulemaking that will set fuel economy standards for the light truck fleet. The Appropriations act passed by the House and Senate does not continue the restrictions on CAFE rulemaking, so that we will soon be free to begin rulemaking to set the light truck standard for model year 2004.

When it became apparent this summer that the restriction on rulemaking would not be perpetuated in fiscal year 2002, Secretary Mineta urged the appropriations committees to consider legislation that would remove the restriction before the end of fiscal year 2001, so that the Department would not need to wait until the enactment of appropriations for fiscal year 2002, but could begin work right away. Unfortunately, the Congress did not act on the Secretary□s request.

We now face an immediate need to begin rulemaking for the light truck fleet for model year 2004. Under the CAFE law, we must issue a standard for that model year not later than 18 months before the model year begins. We consider model years to begin on October 1, so we will need to issue the MY 2004 standard by April 1, 2002, 18 months before October 1, 2003, the beginning of MY 2004.

Although we will begin our work immediately, I must caution you that our knowledge of the potential to improve fuel economy is limited. We have not been able to collect data on our own or conduct any analyses that would be needed to support the statutorily required determination that a specific level is the maximum feasible average fuel economy level." In making this determination, we are directed by the statute to consider "technological feasibility, economic practicability, the effect of other motor vehicle standards of the Government on fuel economy, and the need of the United States to conserve energy." Due to the freeze on activity related to CAFE, we have not been able to address these issues.

Our rulemaking for MY 2004 will not likely result in a significant change in the CAFE standard. The time available between April 2002 and October 2003 is simply too short for a significant change, since the technologies with the largest potential for increasing fuel efficiency would require much longer to incorporate into vehicles. The CAFE law requires us to consider "economic practicability," which means that we must provide the lead-time necessary to incorporate changes without substantial economic disruption to the vehicle manufacturers. As a result, we do not anticipate adopting a standard that would

result in significant changes in the manufacturers current plans for light truck CAFE for MY 2004. We will immediately begin the process of reviewing fuel economy levels for model years 2005 and beyond. We believe focusing our efforts on the MY 2005 rulemaking will allow us to consider more significant changes in the light truck CAFE standard. Our CAFE rulemaking faces a further challenge, in that the new appropriations act does not give us the resources to conduct the analyses that we need to support our regulatory determinations.

Beyond the context of near-term fuel economy rulemaking, our work will be aided by the July 2001 report on the CAFE program prepared by a committee of the National Academy of Sciences. The report contains a number of findings and recommendations that bear on the future of the CAFE program.

While the report supports a Federal program to ensure fuel economy levels beyond those expected to result from market forces alone, it cautions that selecting fuel economy targets will require "uncertain and difficult trade-offs among environmental benefits, vehicle safety, cost, oil import dependence, and consumer preferences . . ." The report found that "the downweighting and downsizing that occurred in the late 1970s and early 1980s, some of which was due to CAFE standards, probably resulted in an additional 1,300 to 2,600 traffic fatalities in 1993." This finding was based primarily on research conducted by NHTSA in the mid-1990s, which we are updating in a study that we expect to complete next spring. The National Academy of Sciences report went on to observe "that the likelihood of similar response to further increases in fuel economy must be taken seriously." I want to assure you that we will consider vehicle safety in any rulemaking that we undertake on CAFE, consistent with our obligations to meet the statutory criteria governing the CAFE program. As an agency whose primary mission is safety, NHTSA is completely committed to the safety of Americans on the nations highways.

We agree that there will be difficult trade-offs. At the beginning of this administration, the President directed a review of these issues, which is contained in the President s National Energy Policy report. That report recommends that the standards should be based on sound science, and should consider passenger safety, economic concerns, and the impact on the U.S. versus the foreign fleet of automobiles.

We will consider both the National Academy of Sciences report and the National Energy Policy report as we review the alternatives available to improve fuel economy. These reports also highlighted the opportunities for the use of new technologies and the development of alternative fuel vehicles such as those powered by fuel cells. However, we are not prepared at this time to recommend specific changes to the fuel economy law.

It is clear that there are many points of view about the best means to improve the fuel economy of the light duty vehicle fleet, as illustrated by the continuing

debate in the Congress on whether to legislate higher CAFE standards or to require specific reductions in fuel consumption by certain segments of the fleet, such as light trucks. The National Academy of Sciences committee examined a number of alternative measures, some of which are represented in pending legislation. The debates on these measures illustrate the difficult nature of the choices facing us.

To achieve a specified CAFE level, a manufacturer must produce fuel efficient vehicles that the public will buy. If cost-effective measures can be devised to increase consumer demand for fuel-efficient vehicles without compromising passenger safety, those measures should be examined. The President's National Energy Policy report recommends that the Secretary of Transportation evaluate market-based approaches to increasing new motor vehicle fuel economy. We are moving forward to consider these approaches. The National Academy of Sciences report also notes that we need to consider consumer demand, vehicle attributes, and the impact on passenger safety of fuel economy standards.

We want to assure the Committee that the Department will carry out its responsibilities under the CAFE law to the best of its ability, with the goal of improving fleet fuel economy without sacrificing passenger safety, thereby producing benefits to the economy, our national energy security, and our nation□s traveling public.

This concludes my statement. I look forward to working with the committee as we continue to address the issue of fuel economy. I will be glad to answer your questions.